

STATE OF VERMONT
PUBLIC SERVICE BOARD

Docket No. 6913

Investigation of the City of Burlington Electric)	Hearing at
Department's tariff filing requesting a 17.9%)	Montpelier, Vermont
rate increase, to take effect January 3, 2004)	August 11, 2004

Order Entered: 9/8/2004

PRESENT: Ennis John Gidney, Hearing Officer

APPEARANCES: June E. Tierney, Esq.
for Vermont Department of Public Service

William F. Ellis, Esq.
McNeil, Leddy & Sheahan, P.C.
for City of Burlington Electric Department

I. INTRODUCTION

On November 18, 2003, the City of Burlington Electric Department ("BED") filed with the Vermont Public Service Board ("Board") proposed revisions to its tariffs reflecting a 7.19% increase in rates to take effect, pursuant to 30 V.S.A. § 226(b), on a service-rendered basis on January 3, 2004. The proposed rate increase will generate additional revenues of \$2,419,137 during the rate-year ending December 31, 2004. Based on the record evidence, I find the 7.19% increase in rates to be just and reasonable.

II. PROCEDURAL HISTORY

On or about the time BED filed its request to increase rates, BED provided notice of the proposed rate increase to its customers via publication in *The Burlington Free Press* newspaper. BED also mailed individual notice of the proposed rate increase to its commercial and industrial customers through its quarterly publication entitled *Currents*, and to its residential customers through a publication entitled *Outlets*.

On December 18, 2003, the Vermont Department of Public Service ("Department"), pursuant to 30 V.S.A. Section 225, informed the Board that it had reviewed BED's November 18, 2003, filing and recommended that the Board conduct an investigation into the proposed rate change.

On December 26, 2003, the Board issued an Order opening this investigation.

On January 16, 2004, a prehearing conference was held in this docket. At the prehearing conference, the Department and BED jointly proposed a procedural schedule which was approved. BED also agreed to waive the applicable seven-month rule relative to the calculation of credits or additional surcharges that may result from a final Board order.

On March 23, 2004, a public hearing was held in Burlington at the Fletcher Free Library. No members of the public appeared at the hearing.

On July 20, 2004, BED and the Department filed with the Board a memorandum of understanding ("MOU"), which includes a Service Quality and Reliability Plan ("SQRP")¹. The MOU proposes to resolve all outstanding issues in this docket.

At a technical hearing held on August 11, 2004, the parties entered the MOU as evidence, provided sworn testimony in support of approval of the MOU and asserted that the proposed rate increase resulted in just and reasonable rates. No other parties intervened in this proceeding.

1. The MOU and SQRP are attached to this Order.

III. FINDINGS

Pursuant to 30 V.S.A. § 8, I hereby report the following findings and conclusions.

1. On November 18, 2003, BED filed with the Board and the Department a notice of proposed revisions to its tariffs reflecting a 7.19 % increase in its rates. The proposed rate increase produces additional annual revenues of \$2,419, 137. Exh. Joint-1 at 1.
2. The proposed rate increase took effect on a temporary basis, as a surcharge, for service rendered beginning on January 3, 2004. Exh. Joint-1 at 1.
3. Due primarily to known and measurable increases in purchased power costs during the 2003 test-year, BED's cost of service increased to \$36,051,918 from \$33,632,781. Exh. Joint-1, Attachment 1.
4. The MOU between BED and the Department includes provisions which will improve services and enhance customer protections. Exh. Joint-1.
5. Pursuant to the MOU, BED will monitor its customer service performance and submit regular reports on call answering, billing, work completion, customer satisfaction, worker safety and reliability. Exh. Joint-1, Attachment 2.
6. Pursuant to the MOU, BED will file petitions with the Board requesting accounting orders approving the future recovery of extraordinary expenses that would not otherwise be possible pursuant to Generally Accepted Account Principles ("GAAP") and Government Accounting Standards. Exh. Joint-1 at 2.
7. Pursuant to the MOU, BED will, within 90 days of Board approval, formally adopt a written lending policy, which, at a minimum, requires BED to issue debt for purposes that are specifically authorized by state statute or the City of Burlington's Charter, or for purposes that are incident, subordinate or necessary to those specifically authorized purposes. Exh. Joint-1 at 2.
8. BED has not updated its rate class cost of service study for a number of years. Pursuant to the MOU, BED will, within 90 days of Board approval, submit a new rate class cost of service study with the Department and the Board for approval. The purpose of the study will be to determine whether rates reflect actual cost causation between and among different classes of

customers. Exh. Joint-1 at 2.

9. Pursuant to the MOU and upon approval by the Board, BED's Service Quality and Reliability Plan will become effective, and remain in effect for two years. The SQRP is modeled after the service quality and reliability plans of other municipalities which have been approved by the Board. Exh. Joint-1 at 2 and Attachment 2.

IV. DISCUSSION

The MOU includes provisions that, if approved by the Board, will result in service improvements and additional customer protections. An integral part of the MOU is a two-year Service Quality and Reliability plan which becomes effective upon Board approval. The SQRP is modeled after the service quality and reliability plans approved by the Board for other municipalities. Under the requirements of the SQRP, BED will monitor its customer service performance and report on six broad areas of its operation: call answering; billing; work completion; customer satisfaction; worker safety; and reliability. The plan sets out minimum standards for performance and establishes customer service guarantees relative to new and/or temporary installations, meter reading, disconnects and reconnects, bill accuracy, street light and outdoor lighting repairs, street light installation, right-of-way clearing and notice of planned outages. Lastly, the SQRP commits BED to improve its responsiveness to consumer and regulatory complaints by establishing a 14 calendar-day deadline for BED to provide substantive responses.

Under the MOU, BED also agrees to obtain specific accounting orders from the Board for the future recovery of extraordinary expenses, establish a formal written lending policy and conduct a rate class cost of service study to ensure customer charges reflect the underlining cost to provide service. Each of these commitments will result in additional customer protections.

On a going forward basis, when BED identifies the need for special accounting treatment of extraordinary expenses that would not otherwise be possible under either GAAP or government accounting standards, BED agrees to seek approval from the Board to defer such extraordinary expenses in the form of a specific accounting order. In a subsequent rate

proceeding in which BED seeks to recover such extraordinary expenses, BED shall bear the burden of proving that the expenses were reasonable and that deferral for rate-making purposes was appropriate.

BED does not have a formal, written lending policy governing the issuance of debt. Within 90 days of Board approval, BED will develop and formally adopt a written lending policy requiring BED to issue new debt for only specific and authorized purposes. Such a policy will ensure that capital expenditures are used to improve customer service and reliability.

V. CONCLUSION

The MOU reached between the Department and BED resolves all the issues that were contested in this case. No other party opposed the MOU. Subject to the terms of the MOU, and based on my review of the original cost of service filing, I conclude that the 7.19% increase in rates is just and reasonable. Additionally, the MOU includes a number of provisions that will, if approved by the Board, result in customer service improvements and customer protections. Taken in its entirety, the MOU promotes the general good of the state. Therefore, I recommend approval of the MOU.

The parties have waived their right to service of the Proposal for Decision in accordance with 3 V.S.A. § 811.

Dated at Montpelier, Vermont, this 3rd day of September, 2004.

s/Ennis John Gidney

Ennis John Gidney
Hearing Officer

VI. ORDER

IT IS HEREBY ORDERED, ADJUDGED AND DECREED by the Public Service Board of the State of Vermont that:

1. The Findings, Conclusion and recommendation of the Hearing Officer are adopted.
2. The Memorandum of Understanding dated July 20, 2004, between the City of Burlington Electric Department and the Vermont Department of Public Service is accepted.
3. Within 90 days of this Order, BED shall submit for approval a rate class cost of service. For cause shown, including without limitation delays in the local approval process, BED shall be entitled to a reasonable extension of time for filing its rate class cost of service study.
4. Within 90 days of this Order, BED shall adopt a formal written lending policy for the issuance of new debt in accordance with the terms and conditions of the MOU. Upon adoption of the formal lending policy, BED shall file the lending policy with the Department and the Board.
5. BED's Service Quality and Reliability plan is approved.
6. The City of Burlington Electric Department shall file appropriate tariffs consistent with the Findings and this Order within 10 days of the issuance of this Order.

Dated at Montpelier, Vermont, this 8th day of September, 2004.

s/Michael H. Dworkin)

PUBLIC SERVICE

s/David C. Coen)

BOARD

s/John D. Burke)

OF VERMONT

OFFICE OF THE CLERK

FILED: September 8, 2004

ATTEST: s/Susan M. Hudson
Clerk of the Board

NOTICE TO READERS: This decision is subject to revision of technical errors. Readers are requested to notify the Clerk of the Board (by e-mail, telephone, or in writing) of any apparent errors, in order that any necessary corrections may be made. (E-mail address: Clerk@psb.state.vt.us)

Appeal of this decision to the Supreme Court of Vermont must be filed with the Clerk of the Board within thirty days. Appeal will not stay the effect of this Order, absent further Order by this Board or appropriate action by the Supreme Court of Vermont. Motions for reconsideration or stay, if any, must be filed with the Clerk of the Board within ten days of the date of this decision and order.